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## FACSIMILE TRANSMISSION COVER SHEET

<b>TO: NAME</b>	<b>FACSIMILE NO.</b>	<b>CONFIRMATION NO.</b>
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William Taylor, IV	(410) 580-3001	
cc: Gary Horowitz		
cc: Tom LaMacchia		

<b>FROM:</b> Carlo de Vito Piscicelli	<b>I.D. NUMBER (5 digits)</b> 08718	<b>SENDER'S FLOOR:</b> 26th
<b>CLIENT/MATTER NO.:</b> 098070-0005	<b>DATE:</b> November 16, 2001	<b>OPERATOR:</b> Dee
<b>TOTAL PAGES (incl. cover):</b> 70		

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- ☐ OKAY TO FAX AFTER 10:00 PM AND BEFORE 8:00 AM

### REMARKS:

Attached please find our comments on the Disclosure Schedule.

Please provide us with updated documents since May, including unredacted Board minutes and engagement letters with investment banks. In addition, please provide us with copies of all the documents requested in the attached mark-up.

Best regards.

C.V.P.

IF YOU DO NOT RECEIVE ALL OF THE PAGES OR FIND THAT THEY ARE ILLEGIBLE, PLEASE CALL:

#### CONFIDENTIALITY NOTE:

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CareFirst Disclosure Schedules  
Agreement and Plan of Merger  
November \_\_, 2001

Congress

These disclosure schedules are provided in connection with the Agreement and Plan of Merger (the "Agreement") dated as of November \_\_, 2001, by and among [\_\_\_\_], CareFirst, Inc. and CF Acquisition Corp. Terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

The representations and warranties of CareFirst, Inc. in the Agreement are made and given subject to the disclosures contained within these disclosure schedules. ~~Any matter disclosed in any part of these disclosure schedules shall be deemed disclosed for purposes of each other part of these disclosure schedules in which it may be relevant, if the disclosure of any matter in a disclosure schedule other than in the relevant disclosure schedule provides Purchaser with a sufficiently full disclosure such that Purchaser would be reasonably expected to know that the matter disclosed was applicable to the disclosure contained in the relevant disclosure schedule.~~ Further, no matter contained within these disclosure schedules shall be deemed material merely because such matter is contained herein.

*PRELIMINARY - SUBJECT TO CHANGE*

**CareFirst Disclosure Schedules  
Agreement and Plan of Merger  
November \_\_, 2001**

**Section 4.1 Organization, Qualification and Authorization**

Name of Subsidiary	Jurisdiction of Formation	Qualified	Equity Ownership/Control <sup>1</sup>
Group Hospitalization and Medical Services, Inc. (" <i>BCBS-NCA</i> ")	Federal Charter	DC, MD, VA	CareFirst is the sole member
The GHMSI Companies, Inc. (" <i>The GHMSI Companies</i> ")	DC	MD, VA	BCBS-NCA
Capital Area Services Company, Inc.	WVA	DC	The GHMSI Companies
National Capital Insurance Agency, Inc.	VA	DE, DC, MD	The GHMSI Companies
National Capital Administrative Services, Inc.	DC	MD, VA	The GHMSI Companies
Access America, Inc.	DE	DC, MA	BCBS-NCA
CareFirst BlueChoice, Inc. (" <i>CareFirst BlueChoice</i> ")	DC	MD, VA	The GHMSI Companies
CareFirst of Maryland, Inc. (" <i>BCBS-MD</i> ")	MD	--	CareFirst is the sole member
CFS Health Group, Inc. (" <i>CFS Health Group</i> ")	MD	--	BCBS-MD
Free State Health Plan, Inc. (" <i>FSHP</i> ")	MD	DC	CFS Health Group
Patuxent Medical Group, Inc.	MD	--	FSHP
Preferred Health Network of Maryland, Inc. (" <i>PHN</i> ")	MD	DC	FSHP
PHN HMO, Inc.	MD	DC	PHN
PHN Services, Inc.	MD	DC	PHN
PHN PPO, Inc.	MD	--	PHN
Delmarva Health Plan, Inc.	DE	MD	CFS Health Group
Columbia Free State Dental Plan, Inc.	MD	--	FSHP
Potomac Physicians, P.A.	MD	--	See footnote 2
First Care, Inc.	MD	--	CFS Health Group
GreenSpring Mental Health Services, Inc.	MD	--	BCBS-MD

<sup>1</sup> Unless otherwise stated, the designated entity holds all of the outstanding equity interests of the named company.

<sup>2</sup> Stock is held by physicians affiliated with BCBS-MD or one of its subsidiaries.

**CareFirst Disclosure Schedules  
Agreement and Plan of Merger  
November \_\_, 2001**

Willse & Associates, Inc. (" <i>Willse</i> ") (d/b/a CareFirst Administrators)	MD	DE, DC, PA, TX, VA	BCBS-MD
HLI, Inc.	MD	--	BCBS-MD
Timonium Office Building Limited Partnership	MD	--	See footnote 3
Three Owings Mills Corporate Center Limited Partnership	MD	--	See footnote 4
Four Owings Mills Corporate Center Limited Partnership	MD	--	See footnote 5
The Michelsen Group, Inc.	NC	--	Willse
BCBSD, Inc. (" <i>BCBSD</i> ")	DE	Cayman Islands	CareFirst is the sole member
The Gateway Group, Ltd.	DE	--	BCBSD
Allnation Insurance Agency, Inc.	DE	PA	BCBSD
Allnation Delaware Insurance Agency, Inc.	DE	--	BCBSD

<sup>3</sup> CFS Health Group is the sole general partner and Willse is the sole limited partner.

<sup>4</sup> BCBS-MD is a limited partner. Three Owings Mills Corporate Center, Inc. is the sole general partner.

<sup>5</sup> BCBS-MD is a limited partner. Four Owings Mills Corporate Center, Inc. is the sole general partner.

**CareFirst Disclosure Schedules  
Agreement and Plan of Merger  
November \_\_, 2001**

*Why is this  
here?*

**Section 4.4(a) No Violation: Consents and Approvals**

1. Amended and Restated Credit Agreement, dated December 31, 1998, as amended, by and among SunTrust Bank (f/k/a Crestar Bank), Group Hospitalization and Medical Services, Inc., CareFirst of Maryland, Inc. and CFS Health Group, Inc.
2. Patuxent Medical Group, P.A. Employment Agreement, dated March 17, 1986, as amended, by and among Patuxent Medical Group, P.A., a Maryland professional corporation, Columbia Medical Plan, Inc., a Maryland corporation certified under the Maryland Health Maintenance Organization Act and individual medical doctors.
3. Contract for Federal Employees Health Benefits, as amended, Contract No: CS 1039; Effective: January 1, 1960, between The United States Office of Personnel Management and Blue Cross and Blue Shield Association Service Benefit Plan.
4. Professional Liability Insurance: Professional Liability Program, including Directors and Officers Liability and Employment Practices Liability; Policy Number - D/O 011 190; Insurer - BCS Insurance Co.
5. Workers Compensation Policy: Policy Number - D/O 001 190; Insurer - Twin City Fire Insurance Company.
6. Blue Cross License Agreement, dated December 17, 1997 by and between Blue Cross and Blue Shield Association and The Blue Cross Plan, known as CareFirst, Inc.
7. Blue Cross Controlled Affiliate License Agreement, dated December 17, 1997 by and between Blue Cross and Blue Shield Association and the following Controlled Affiliates: CareFirst of Maryland, Inc., CareFirst BlueChoice, Inc. and Free State Health Plan, Inc.
8. Insurance Commissioner Orders as follows:
  - a. State of Delaware, Department of Justice Order, dated March 20, 2000, approving the business combination of CareFirst, Inc. and Blue Cross and Blue Shield of Delaware.
  - b. Maryland Insurance Commissioner Order, dated March 21, 2000, Case Number MIA-183-3/00, approving the business combination of CareFirst, Inc. and Blue Cross and Blue Shield of Delaware.
  - c. Maryland Insurance Commissioner Order, dated December 23, 1997, Case Number MIA-240-12/97, approving the business combination of Blue Cross and Blue Shield of Maryland and Group Hospitalization and Medical Services, Inc.

*How are these violated  
by this transaction?*

- 4 -

**CareFirst Disclosure Schedules  
Agreement and Plan of Merger  
November \_\_, 2001**

*Same* [ d.

Government of the District of Columbia, Department of Insurance and Securities Regulation Decision and Order, dated December 23, 1997, Case Number A-HC-97-01, approving the business combination of Blue Cross and Blue Shield of Maryland and Group Hospitalization and Medical Services, Inc.

**CareFirst Disclosure Schedules  
Agreement and Plan of Merger  
November \_\_, 2001**

**Section 4.5(a) Financial Statements**

**Second and Third Quarters, 2001 Reports (Unaudited)\***

CareFirst, Inc. and Affiliates – Consolidated GAAP & Statutory Basis

**Maryland**

CareFirst of Maryland, Inc. and Subsidiaries – Consolidated GAAP

Washington, D.C.

Group Hospitalization and Medical Services, Inc. and Subsidiaries – Consolidated GAAP

**Delaware**

BCBSD, Inc. and Subsidiaries – Consolidated GAAP

**First Quarter, 2001 Reports (Unaudited)\***

CareFirst, Inc. and Affiliates – Consolidated GAAP & Statutory Basis

**Maryland**

CareFirst of Maryland, Inc. and Subsidiaries – Consolidated GAAP

CFS Health Group, Inc. and Subsidiaries – Consolidated GAAP

Patuxent Medical Group, Inc. – GAAP

Willse & Associates, Inc. and Subsidiary – Consolidated GAAP

Potomac Physician, P.A. – GAAP

Willse & Associates, Inc. – SAS 70 Review

CareFirst of Maryland, Inc. and Subsidiaries – Statutory Basis

Free State Health Plan, Inc. – Statutory Basis

Delmarva Health Plan, Inc. – Statutory Basis

PHN-HMO, Inc. – Statutory Basis

Washington, D.C.

Group Hospitalization and Medical Services, Inc. and Subsidiaries – Consolidated GAAP

CareFirst BlueChoice, Inc. – GAAP

Why aren't 2nd  
+ 3rd quarters  
or "fill some"?

**CareFirst Disclosure Schedules  
Agreement and Plan of Merger  
November \_\_, 2001**

National Capital Administration Services, Inc. and Subsidiary – Consolidated GAAP  
National Capital Insurance Agency, Inc. – GAAP

Group Hospitalization Medical Services, Inc. and Subsidiaries – Statutory Basis  
CareFirst BlueChoice, Inc. (formerly CapitalCare, Inc.) – Statutory Basis

**Delaware**

BCBSD, Inc. and Subsidiaries – Consolidated GAAP  
BCBSD, Inc. and Subsidiaries – Statutory Basis  
Allnation Insurance Company – GAAP  
Allnation Insurance Company – Statutory Basis

*\* Includes balance sheet and statements of operations and cash flows.*



CareFirst Disclosure Schedules  
Agreement and Plan of Merger  
November \_\_, 2001

2000 Reports\*

CareFirst, Inc. and Affiliates – Consolidated GAAP & Statutory Basis

Maryland

CareFirst of Maryland, Inc. and Subsidiaries – Consolidated GAAP  
CFS Health Group, Inc. and Subsidiaries – Consolidated GAAP  
Willse & Associates, Inc. and Subsidiary – Consolidated GAAP

Willse & Associates, Inc. – SAS 70 Review

CareFirst of Maryland, Inc. and Subsidiaries – Statutory Basis  
Free State Health Plan, Inc. – Statutory Basis  
Delmarva Health Plan, Inc. – Statutory Basis  
PHN-HMO, Inc. – Statutory Basis

Washington, D.C.

Group Hospitalization and Medical Services, Inc. and Subsidiaries – Consolidated GAAP  
CareFirst BlueChoice, Inc. – GAAP  
National Capital Administration Services, Inc. and Subsidiary – Consolidated GAAP  
National Capital Insurance Agency, Inc. – GAAP

Group Hospitalization Medical Services, Inc. and Subsidiaries – Statutory Basis  
CareFirst BlueChoice, Inc. (formerly CapitalCare, Inc.) – Statutory Basis

Delaware

BCBSD, Inc. and Subsidiaries – Consolidated GAAP  
BCBSD, Inc. and Subsidiaries – Statutory Basis  
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Allnation Insurance Company – Statutory Basis

\* Includes balance sheet and statements of operations and cash flows.

**CareFirst Disclosure Schedules  
Agreement and Plan of Merger  
November \_\_, 2001**

**1999 Reports\***

CareFirst, Inc. and Affiliates – Consolidated GAAP

**Maryland**

CareFirst of Maryland, Inc. and Subsidiaries – Consolidated GAAP  
CFS Health Group, Inc. and Subsidiaries – Consolidated GAAP  
Patuxent Medical Group, Inc. – GAAP  
Willse & Associates, Inc. and Subsidiary – Consolidated GAAP  
Potomac Physicians, P.A. – GAAP

Willse & Associates, Inc. – SAS 70 Review

CareFirst of Maryland, Inc. and Subsidiaries – Statutory Basis  
Free State Health Plan, Inc. – Statutory Basis  
Delmarva Health Plan, inc. – Statutory Basis

**Washington, D.C.**

Group Hospitalization and Medical Services, Inc. and Subsidiaries – Consolidated GAAP  
CareFirst BlueChoice, Inc. – GAAP  
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